

**SUMMARY OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS COMMITTEE**

**HELD ON
Friday, January 26, 2007
10:30 a.m., MST**

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in regular session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Michael Townsend, Chair, called the meeting to order at 10:30 a.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Michael Townsend, Chair
 Mr. Steven Zeman, Vice-Chair
 Dr. Keith Meredith

Absent: Mr. David Byers

A quorum of the Committee was present for the purpose of conducting business.

2. Presentation, Discussion and Appropriate Action Regarding the ASRS Request For Proposals (RFP) for External Audit Services

Motion: Mr. Steven Zeman moved the Committee members convene to executive session to consider the External Auditor Services RFP Evaluation and Recommendation.

Dr. Keith Meredith seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

The Committee members adjourned to Executive Session at 10:31 a.m.

The Committee members reconvened to the public meeting at 10:50 a.m.

Motion: Mr. Steven Zeman moved the Committee recommend to the Board to accept the recommendation of the Evaluation Committee regarding the External Auditor Service RFP.

Dr. Keith Meredith seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

3. Presentation, Discussion and Appropriate Action Regarding Risks and Threats to the Arizona State Retirement System

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, addressed the Committee regarding the risk assessment. Mr. Guarino stated he wanted to identify the risks and threat that can affect the proper and effective administration of the ASRS. He presented Committee members with a copy of the Association of Public Fund Auditor's (APPFA) Public Pension Systems: Benefit Risks and Controls to Mitigate Those Risks, a copy of the IA's 2005 list of agency risks, and a revised statement of ASRS risks, as prepared by the agency's senior administrators and deputy director.

Mr. Guarino asked the Committee members to review the current agency risks and modify the list as necessary including additions or reductions in the items reviewed for risk. He stated the final list of risks would be ready over the coming months in time for the new risk assessment guidelines to go into place on July 1, 2007.

Each Committee member offered various items they would like to see included in the risk assessment. Included in the list of suggestions from Committee members were items such as: data integrity, compliance with state and federal laws, and contract compliance. Dr. Meredith suggested that risks bundled under the category titled "Benefit Administration" should be separated out.

Mr. Guarino said he would work with his senior staff to address the items brought up by Committee members and present the new list of risks to the Committee at a future meeting.

4. Presentation, Discussion and Appropriate Action Regarding the December 2006 Business Continuity Plan (BCP) Exercise

Mr. Guarino introduced Mr. Patrick O'Keefe, Network Information Services Manager, Information Services Division, who addressed the Committee on the December 2006 BCP exercise. Mr. O'Keefe set out the scenario used where the ASRS building in Phoenix was closed for 30 days after a fire. He stated the exercise was a surprise to test how well the various departments reacted without any foreknowledge of the scenario.

Mr. O'Keefe stated that all objectives were met with two exceptions: 1) the goal of 85% personnel contacted within two hours was not met, and 2) a problem developed with the application server that reduced the functionality of the ASRS public website. He then presented a list of items to be accomplished over the coming months to make sure the ASRS could recover from a real-life scenario.

5. Review of Recently Conducted Audits

- **City of Glendale (Follow Up)**
- **Cochise County**

Mr. Bernard Glick, Chief Internal Auditor, gave a brief overview of the follow up audit of the City of Glendale. He stated the audit concluded the City of Glendale has erroneously contributed on twenty employees who did not meet participation during the fiscal year and contributed on termination pay for eight employees. The ASRS had returned the money to the employer, but six employees still need to be refunded the contributions. Additionally, the City of Glendale did not collect or remit contributions on six temporary employees who met the 20/20 membership criteria during the fiscal year nor did the City collect on twenty-two employees who were actively contributing with another ASRS employer during the fiscal year. This resulted in the City of Glendale owing the ASRS a total of \$21,117.13.

Mr. Glick then gave a brief overview of the audit on Cochise County. He stated the audit concluded that Cochise County owed the ASRS \$11,396.53 in contributions that were not submitted from compensation paid to twenty four employees who met the 20/20 membership criteria.

6. Request for Future Agenda Items

The following items will be considered for future agendas:

- PacifiCare
- Follow up on Risk Management
- IT Quarterly Updates
- Member Services Advisory Center Plan Update
- Future Budget Proposals

7. Call to the Public

No members of the public addressed the Committee.

8. Adjournment of the OC

Mr. Michael Townsend adjourned the meeting at 12:08 p.m.

Respectfully Submitted by,

Zachary Kucera
Committee Secretary

Date

Anthony Guarino
Deputy Director and Chief Operations Officer

Date